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# Overseas property management and construction projects in progress, and revised estimates relating to the programme budget for the biennium 2010-2011 under section 20, Economic and social development in Latin America and the Caribbean, related to the relocation of the subregional headquarters in Mexico

## Report of the Advisory Committee on Administrative and Budgetary Questions

## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on overseas property management and construction projects in progress (A/65/351) and on revised estimates relating to the programme budget for the biennium 2010-2011 under section 20, Economic and social development in Latin America and the Caribbean, related to the proposed relocation of the Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters in Mexico (A/65/385).

2. During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification.

3. The report on property management was submitted pursuant to General Assembly resolution 63/263 (sect. I), in which the Assembly endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the Secretary-General submit annual progress reports for all ongoing construction projects. The report on the relocation of the subregional headquarters was submitted following a number of security studies and risk assessments conducted by the Security and Safety Section of ECLAC and the Department of Safety and Security of the Secretariat. The findings indicate that the current location of the ECLAC subregional headquarters in Mexico places United Nations staff at high risk in the event of malicious acts or natural disasters and have led to the

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recommendation that the United Nations offices be moved to a location that is in compliance with minimum operating security standards.

## II. Overseas property management and construction projects in progress

4. The Advisory Committee notes that the Secretary-General's report on overseas property management and construction projects (A/65/351) provides an update of the progress made in enhancing the role of Headquarters in coordinating and supporting overseas property management and construction projects and progress reports on the construction of additional office facilities at the Economic Commission for Africa (ECA) in Addis Ababa and at the United Nations Office at Nairobi.

### Management of United Nations overseas properties

5. In paragraphs 1 to 19 of the report, the Secretary-General describes the additional responsibilities assumed by the Office of Central Support Services relating to facilities management at offices away from Headquarters and overseas construction projects since the issuance of the addendum to the proposed programme budget on overseas property management (A/64/6 (Sect. 28D)/Add.1) and the approval by the General Assembly in its resolution 64/243 of additional resources in the context of the programme budget for 2010-2011. In this connection, the Advisory Committee recalls that two additional posts (1 P-5 and 1 P-2) were provided to support the overall management of overseas properties. The Committee was informed that the Associate Overseas Property Officer (P-2) was on board and that recruitment was being finalized for the Senior Overseas Property Officer (P-5) (see also para. 14 below).

6. As indicated in the report, the Office of Central Support Services supports the Inter-Agency Network of Facilities Managers of the United Nations Secretariat, agencies, funds and programmes through a mechanism of annual conferences and the maintenance of its website. It also provides support to senior facilities managers from offices away from Headquarters through quarterly videoconferences, as well as an annual conference initiated in 2010. Moreover, the Office continues to support and monitor the ongoing construction of new office facilities at ECA and the United Nations Office at Nairobi and provides guidance and advice regarding the strategic heritage plan at the United Nations Office at Geneva, a forthcoming proposal for new common premises at the Economic and Social Commission for Western Asia (ESCWA) and the recovery and rehabilitation of the premises at ECLAC following the earthquake in February 2010. The Advisory Committee notes that consultations are ongoing with the Government of Lebanon on the new common premises at ESCWA and that a related report would be finalized for submission at the sixty-fifth session of the General Assembly.

7. The Advisory Committee notes that the first annual conference of facilities managers of offices away from Headquarters, held in March 2010, focused on management concerns related to overseas properties, in particular the 20-year strategic capital review of overseas properties, funding methodologies for long-term maintenance and capital improvements necessary to prevent the deterioration of

United Nations facilities and avoid large and costly major maintenance requirements in future.

8. The Advisory Committee recalls that the strategic capital review of facilities at all offices away from Headquarters was launched in May 2009 to address concerns related to global facilities management, to establish an Organization-wide perspective on needs and priorities in relation to the development of new facilities and major maintenance of existing facilities and to ensure adequate support for duty stations involved in such work. An initial information-gathering process was initiated to form the basis of a 20-year strategic capital plan.

9. In his report, the Secretary-General indicated that, following the sharing and review of data collected, it had become clear that professional guidance and support were required to accurately forecast the requirements for global facilities maintenance and new construction over the next 20 years. Additional financial resources would therefore be needed to cover consultancy services to technically support the efforts of the Overseas Property Management Unit of the Office of Central Support Services in establishing a framework and methodology for conducting the review. The overall intended objective of the consultancy services is stated in paragraph 8 of the report.

10. **The Advisory Committee points out that the report of the Secretary-General mostly outlines actions taken or processes followed with regard to the management of United Nations properties but omits information that could provide a better idea of the scope and scale of properties owned and managed or lessons learned so far in that regard.** Upon enquiry, the Committee was informed by the representatives of the Secretary-General that, although there had been excellent cooperation from offices away from Headquarters during the data collection period, it had become evident, as attempts were made to consolidate the information collected, that the responses revealed inconsistent data and missing elements. For example, some offices included projects already contained in the programme budget for 2010-2011 while others did not; some offices provided all-inclusive estimated construction costs while others omitted pre-planning requirements; future project construction costs varied considerably and were not always based on local construction industry standards; and future escalation was not always taken into account nor were major maintenance life-cycle costs for building projects that were under construction consistently identified. It was also indicated to the Committee that this did not allow for a consistent correlation between the requirements summarized and the value of the facilities maintained, as would be expected in accordance with industry standards. It is for those reasons that the Secretary-General indicated that expert consultancy services were required to properly undertake the review and to establish the framework and methodology, which would allow for accurate forecasting of future global facilities maintenance and new construction requirements.

11. The Advisory Committee was further informed that, taking into account the problems encountered, a two-tiered approach was proposed to achieve the strategic capital review. In order to develop the overall framework and methodology, the proposed consultant would carry out the following tasks:

(a) Organize and establish a consistent framework and methodology for a high-level assessment of the major maintenance and new construction requirements at all offices away from Headquarters;

(b) Provide detailed clarifications on an item-by-item basis of what components and elements should be included in the study, clearly defining the scope of each element and the methodology that should be applied to developing requirements;

(c) Review existing data, conditions and background information provided by the offices away from Headquarters and assess United Nations facilities in relation to organizational goals and standards regarding health, safety, security, energy efficiency and accessibility;

(d) Establish guidelines for reporting projected organizational growth at each office away from Headquarters on the basis of historic trends and organizational goals and align future space requirements with those goals and growth projections;

(e) Provide guidance to local experts on proposed future construction and renovation project budgeting and on how the requirements for those projects should be reported and develop a centralized project management tool to assist the United Nations in monitoring future capital projects;

(f) Identify a method or model for prioritizing proposed projects aligned with budget cycles and funding availability, taking account of the impact on the capital value of each facility;

(g) Coordinate the preparation of a global programme for capital improvements projected over the next 20 years.

12. Local technical expertise, to be engaged to provide support to the local facilities management team, would carry out the following tasks:

(a) Complete an in-depth inspection and physical assessment of the condition of the buildings and their technical infrastructure;

(b) Identify the existing and future operational plans carried out on the compound;

(c) Propose architectural and engineering life-cycle solutions, taking into consideration new technologies, local organizational goals and continuity of operations;

(d) Carry out a cost-benefit analysis for each architectural and engineering life-cycle solution proposed and provide the overall magnitude of cost of any future construction and renovation projects;

(e) Elaborate any next steps needed, including all resource requirements.

13. **The Advisory Committee emphasizes the importance of better projection of mid-term and longer-term Organization-wide needs, as well as financial requirements for the maintenance of existing facilities and new construction projects, in order to enable an adequate overview and a long-term perspective. In this context, the Committee also stresses the central leadership and support role of the Office of Central Support Services in ensuring efficient planning and budgeting for United Nations properties and their effective overall management (see A/64/7/Add.11, para. 5). The Committee therefore urges the Secretary-General to conclude the review expeditiously and expects that, drawing upon the review, he would be in a position to develop a comprehensive approach to facilities management. The purpose of the 20-year global strategic plan should**

**be to facilitate better management of United Nations facilities rather than add unwieldy bureaucratic rigidity.**

14. **The Advisory Committee also underlines the responsibility and role of the Senior Overseas Property Officer (P-5), which is currently in the process of recruitment (see also para. 5 above), in providing guidance, leadership and advice in this regard. It also emphasizes the importance of drawing upon lessons learned and expertise accumulated during the course of the planning and implementation of the capital master plan at Headquarters. While the Committee does not object to the need for specific expertise that is not available in-house, it requests that future proposals for external expertise take fully into account existing capacity and that specific gaps that consultancy services are intended to fill be adequately explained.**

15. The Secretary-General indicated that the Office of Central Support Services was developing guidelines to assist offices away from Headquarters in connection with construction projects, addressing all aspects of project implementation, which would complement the outcome of the strategic capital review (see A/65/351, paras. 16-18). **The Advisory Committee stresses the importance of completing this task expeditiously.** The Office is also exploring funding mechanisms to address long-term facilities maintenance requirements. In addition to considering on-call service contracts at each office away from Headquarters whereby local professional technical services could be enlisted to review project programmes, construction costs and resource needs to aid in assessing overall costs and schedules, the Office is holding consultations with the aim of developing a long-term funding methodology to cover the costs of facilities maintenance. The Committee was informed that this would encompass not only overseas offices but also Headquarters, and that it would ensure consistency with the implementation of the International Public Sector Accounting Standards, while taking into consideration different sources of funding. **The Committee welcomes the initiative and expects that further information will be provided in the context of future annual reports.**

### Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa

16. Information on progress in the construction of additional office facilities at ECA is contained in paragraphs 21 to 38 of the report. The Advisory Committee notes that construction commenced two months later than previously envisaged (see A/64/486). Completion of the project is now scheduled for February 2012, followed by interior set-up of up to six months, the cost of which will be borne by the occupants depending on their individual requirements (A/65/351, paras. 35 and 36). The delay in starting construction resulted from the longer time required to negotiate agreements with the contractor in connection with the provision of three elevators and the addition of a seventh floor, which would have exceeded the project construction cost budget of $7,488,600 approved by the General Assembly (ibid., paras. 24-28).

17. As indicated in the report, those issues have been resolved through the exclusion of the two elements from the scope of the contract. The Advisory Committee was informed that ECA would instead separately cover the costs of the elevators from non-project resources and that the construction of the seventh floor would proceed, should the need arise and should funding be obtained. Furthermore,

several entities have expressed interest in obtaining office space and in providing funding, through advance rental payment, in order to enable the construction of the seventh floor to proceed, as provided in an option embedded in the contract which expires at the end of October 2010. **The Committee underlines the importance of avoiding delays in the completion of the construction project at ECA. The Committee was informed that, irrespective of who the ultimate tenants are, there would be no further budgetary requirement regarding construction costs.**

18. The Advisory Committee also notes, however, that, although construction is progressing well, completion within the specified time frame is contingent upon the consistent delivery of some 90 tons weekly of cement required by the contractor, the import of which is regulated by the host Government. **The Committee trusts that ECA will continue to work closely with host Government authorities to ensure that all issues related to the timely and predictable delivery of needed construction material are addressed proactively in order to avoid delays that could result in project cost escalation.**

19. In paragraph 33 of the report, the Secretary-General indicated that, while ECA had reviewed the possibility of implementing a parking fee policy as recommended by the Advisory Committee (see A/62/7/Add.11), implementation had been halted owing to emergency concerns that led to the closure of the parking space located under the Conference Centre in 2008. The Committee was informed that, in view of other ongoing projects dealing with security compliance, the policy had still not been implemented, but that as soon as enough parking areas had become available and construction had been finalized, ECA would be able to start to implement the policy. **The Committee trusts that this issue will be dealt with in an appropriate and timely manner.**

20. The Advisory Committee notes that the total cost estimate for the project, following the contract negotiations mentioned in paragraphs 16 and 17 above, remains at $14,333,100, including a 10 per cent contingency amount against possible overruns owing to external factors. A breakdown of the costs is provided in annex I to the report of the Secretary-General.

**Progress in the construction of additional office facilities at the United Nations Office at Nairobi**

21. The Advisory Committee recalls that the construction contract for the additional office facilities at the United Nations Office at Nairobi was signed on 3 April 2009 and that construction began on 4 May 2009. The Secretary-General indicated in the report that the project was on schedule and due to be completed by December 2010, with the partition component slightly ahead of schedule; interior set-up was planned for the first half of 2011 and full occupancy was expected by mid-2011.

22. The cost estimates of the project are summarized in paragraphs 42 to 45 and a detailed breakdown, including cash flow requirements, is provided in annex II to the report. The Advisory Committee notes that, while the cost remains at the level of $25,252,200 approved by the General Assembly in its resolution 63/263, various items have been revised to reflect changes made as the construction has progressed. The variances, described in paragraph 43, include the following:

(a) Revised projected construction costs of $19,980,000, reflecting an increase of $1,048,507 owing to fluctuations in the exchange rates;

(b) Security requirements now estimated at $56,647, reflecting a decrease of $1,062,553 owing to the use of existing vacancies to accommodate most of the security needs; and

(c) A revised contingency provision of $1,652,353, reflecting an increase of $14,046, the net result of the underexpenditure for security offset by the increased requirements for construction costs.

23. In addition, cash flow funding requirements in 2010 have increased by $2,017,062, owing to the acceleration of payments in line with the accelerated progress in construction. The Advisory Committee notes that the cash flow gap is proposed to be funded from the unearmarked cumulative surplus of $2,254,845 under the construction-in-progress account, resulting from savings of previous construction projects and interest income accrued, to be replenished once the new rental income of $4.6 million expected is received in mid-2011.

24. **The Advisory Committee welcomes the progress achieved to date, which should ensure the timely completion of the construction project at the United Nations Office at Nairobi. The Committee expects that lessons learned will be utilized in undertaking other ongoing and future construction projects of the Organization.**

**Conclusion**

25. **Taking into account its comments and recommendations in paragraphs 5 to 24 above, the Advisory Committee recommends that the General Assembly take note of the Secretary-General's report on overseas property management and construction projects in progress (A/65/351).**

## III. Revised estimates relating to the programme budget for the biennium 2010-2011 under section 20, Economic and social development in Latin America and the Caribbean relating to the relocation of the subregional headquarters in Mexico

26. As indicated in the report of the Secretary-General (A/65/385), the subregional headquarters of ECLAC in Mexico City has been housed in a rented 17-story office building, referred to as the Masaryk Building, since 1974. Total rented space averaged 5,000 square metres, shared with various United Nations agencies, funds and programmes listed in paragraph 2 of the report. ECLAC, as the lead agency in Mexico City, administered the common services. Upon enquiry, the Committee was informed that United Nations common system staff in Mexico City totalled 531 (89 ECLAC staff and 442 staff of other agencies, funds and programmes).

27. The Advisory Committee notes, however, that, following a number of security and risk assessments, and considering the seismic and volcanic activity in the region, structural weaknesses of the office building, safety and security considerations, such as the presence of an underground parking garage, a restaurant and other public amenities and limited evacuation routes, it was determined that the current ECLAC subregional headquarters premises did not meet the minimum

operating security standards of the United Nations (ibid., paras. 2-10). It is therefore recommended that the United Nations offices be relocated to a location that is in compliance with those standards.

28. The Advisory Committee notes that ECLAC, in coordination with the United Nations country team, started the process to identify a property for relocation in 2008 and that, by early 2010, some 33 buildings had been evaluated (ibid., paras. 11-13). The Committee was informed that a few months ago, some offices, funds and programmes had moved out to another building (ibid., para. 15), and, furthermore that there was no space available for occupancy by ECLAC in that building. The current lease of the Masaryk Building is due to expire at the end of March 2011. The Secretary-General therefore considers that it is now of utmost importance to reassess the current situation and address the need to relocate the subregional office to new and secure premises (ibid., para. 14). One of the buildings evaluated has become available, which meets the space, location and security requirements and is in an acceptable price range; it would be further reviewed if financing is approved.

29. The Advisory Committee notes that the space requirements of ECLAC subregional office are estimated at 1,850 square metres, compared to the current 2,400 square metres currently rented. The reduction in space is due to the reconfiguration of the requirements, in accordance with the new space guidelines, as shown in tables 1 and 2 of the report. It is also indicated that the project would take approximately seven months from the time of contract negotiation to relocation. The total cost of relocating the ECLAC subregional headquarters is estimated at $1,758,800. The Committee notes that, in Mexico, it is customary for the landlord to offer a grace period of three to four months for the payment of rent.

30. The estimated resource requirements for the relocation, which are detailed in paragraph 20 and summarized in table 3 of the report, include the following:

(a) $40,000 for travel of staff to inspect and ensure compliance with regard to facilities, information technology, security and procurement;

(b) $92,500 for contractual services to cover moving costs and fees of two consultants with technical expertise to oversee and manage the project;

(c) $630,100 for the procurement of furniture and equipment;

(d) $996,200 for construction, alteration and management costs.

31. The Secretary-General is therefore seeking authorization from the General Assembly to relocate the ECLAC subregional headquarters in Mexico to a secure location in compliance with minimum operating security standards and to enter into commitments in the amount of $1,758,800 under the programme budget for 2010-2011 under section 20, Economic and social development in Latin America and the Caribbean (ibid., para. 22).

32. The Advisory Committee notes the statement in paragraph 19 of the Secretary-General's report regarding efforts made so far to solicit assistance from the host Government. Upon enquiry, the Committee was provided with information on the type of support provided to other United Nations entities in relation to premises. **The Committee trusts that the Secretary-General will continue dialogue with the host Government in order to facilitate, as much as possible, the relocation of the subregional office in a timely manner. Furthermore, in the light of**

**lessons learned (see para. 28 above), the Committee encourages the Secretary-General, in future and wherever possible, to seek to co-locate United Nations offices in order to achieve economies of scale and optimize the sharing of security and other arrangements.**

33. As indicated to the Advisory Committee, the request for commitment authority takes into consideration the uncertainty regarding the process of identifying a suitable building that meets the minimum operating security standards, as well as the time needed to negotiate suitable rental terms, including offers such as the three-month grace period (see para. 29 above) or contributions towards alteration costs, before the contract can be concluded and signed. When these elements become known and expenditure is incurred, the additional resources, if required, would be reported in the context of the second performance report.

34. **The Advisory Committee recommends that the General Assembly authorize the Secretary-General to enter into commitments in an amount up to $1,758,800 under section 20, Economic and social development in Latin America and the Caribbean, of the programme budget for the biennium 2010-2011. Actual expenditure should be reported in the context of the second performance report for the biennium.**